Internet spurs a surge of outsourcing

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How secure is your job? It depends on what you do. If you work in the financial department, human resources or another area of the company that involves moving around a lot of paper, be prepared for change.

One of the most significant trends of the next five to 20 years will see companies outsourcing entire departments. If you work in an area such as receivables, payables, customs brokerage, fixed asset management or claims processing, you may find yourself working for a different employer at some point in the future.

You may be doing exactly the same type of work — and for the company that is your current employer.

It used to be that companies outsourced only certain activities, such as the information technology department. Now other departments are set to go, fuelled by the connectivity of the Internet.

To understand the future of many business functions, consider the case of Ceridian Canada (www.ceridian.ca), a company born in 1998 from the combination of the payroll services of Toronto-Dominion Bank and Canadian Imperial Bank of Commerce. It now processes the payroll for almost 17 per cent of the Canadian work force, and has a dedicated staff of 1,300 people.

That means some 2.4 million Canadians rely on the company, which processes about 58 million paycheques a year.

A large number of Canadian companies have determined that they don't want to worry about their payroll functions and so are willing to pay an organization such as Ceridian to do it on their behalf.

With the emergence of the Internet, many more of them will likely decide to do the same thing with other financial activities.

We'll see companies toss entire corporate departments over the side because the information in many financial systems is now available over Web browsers, which makes it accessible from anywhere — not just the office.

Driving this has been the emergence of application service providers (ASPs) — organizations that allow a company to use sophisticated financial and other software systems without having to buy and implement the systems directly.

You may want to take advantage of sophisticated enterprise resource planning software, such as that provided by SAP, but you don't want the complexity. There are countless ASPs that will, in effect, rent you the application for a monthly fee.

As with anything related to the Internet, some ASPs are successful but many are not. Certainly, the concept of ASP has been overhyped.

But dig beneath the surface and you will find something rather interesting happening: ASPs are evolving to become "business service providers."

Take a look at Finetrics (www.finetrics.com), for example — it will "rent" you an SAP application. If you want it to take over the entire function, no problem. It's done a deal with Arthur Andersen, by which Andersen's specialists will do all the typical day-to-day accounting activities you might need. Another example is Ledgent (www.ledgent.com), an organization completely focused on outsourced accounting functions.

We are seeing the emergence of an entirely new aspect of outsourcing, and it promises to cause havoc for anyone involved in pushing paper.

The Digital Systems Report, in its Spring, 2000 issue, estimated that half of those organizations involved with enterprise systems and integrated software will turn these functions over to third parties.

Companies realize that the connectivity of the wired economy allows them to avoid non-core functions.

They can focus on what needs to be done in terms of strategy, sales, and other key activities that improve the bottom line. Everything else is just a process that can be done by someone else.

All of which means you'd better keep your eye on the ball to figure out where your career might be headed.

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